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INTRODUCTION

The Office of Internal Audit performed an audit of the Wayne County FIA, Fort/Wayne District for the period October 1, 1997 through October 23, 1998. The objectives of our audit were to determine if internal controls in place at the district office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Fort/Wayne District had 110 full time equated positions (FTE's) at the time of our review. Fort/Wayne District provided assistance to an average 16,796 recipients per month during FY 1997, with total assistance payments of \$32,964,172 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Fort/Wayne District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS
Cash Disbursements	Cash Receipts
General Ledger	Accounts Receivable
Safe & Controlled Documents	IRS Information Security
Medical Transportation	Phone Usage
ENP/SER Payments	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Fort/Wayne District internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We did, however, find a few instances of noncompliance with FIA policies and procedures and weaknesses in internal controls, which are detailed below.

DISTRICT OFFICE RESPONSE

The management of the Fort/Wayne District has reviewed all findings and recommendations included in this report. They indicated in a telephone conversation that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS - COMPLIANCE

The following are areas where we found that the Fort/Wayne District was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

Monthly Closing of Books

1. The Fort/Wayne District did not close its books promptly each month, as required by Accounting Manual Item 402. As of October 23, the month of September was still open. Closing the books promptly at the end of each month helps ensure accuracy of the records and prevents unauthorized transactions from being entered at a later date to avoid detection.

WE RECOMMEND that the Fort/Wayne District close its books each month when the monthly reports are prepared.

Knowledge of IRS Security Procedures

2. Family Independence Specialists and Eligibility Specialists, particularly new hires, at the Fort/Wayne District were unaware of the proper procedures to follow for confidential information received from the IRS. Family Independence Agency L-Letter 94-1 states that local offices should ensure that their staff understand all aspects of the confidentiality laws. Staff understanding of the laws is necessary to ensure that confidentiality is maintained for all information received from the IRS.

WE RECOMMEND that the Fort/Wayne District familiarize staff with all aspects of the confidentiality laws for information received from the IRS.

RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS

The following are areas where we have identified a control weakness at Fort/Wayne District, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

CIS Security Codes

- 3 The District Manager at the Fort/Wayne District had COR status on the Client Information System (CIS). This status allows the District Manager to authorize changes to employees' CIS status codes and to process those changes on CIS. In addition, two fiscal office employees had FLM status, which would allow them to make changes to client cases and process payments to those same cases. Also, one unit clerk had FLM status, which was not necessary to perform her job duties. For proper internal control, employee status on CIS should not exceed what is necessary to perform job functions.

WE RECOMMEND that the Fort/Wayne District change the District Manager, fiscal employees, and the unit clerk to Inquiry Only status on CIS.

LOAAS Security

4. The Fort/Wayne District did not maintain backup tapes for its Local Office Automated Accounting System (LOAAS) at a secure off-site location. Rather, the District had employees take the backup tapes home. Backup tapes should be stored at a secure off-site location to ensure the privacy of confidential data stored on the tapes is maintained.

WE RECOMMEND that the Fort/Wayne District store backup tapes of its LOAAS at a neighboring District or Zone Office, or another location that will ensure that the confidentiality of data is maintained.